

FHA Reform Bill Would Expand Mortgage Insurance for Low-Income and Minority Groups, Crack Down on Fraudulent Lenders

WASHINGTON, D.C. – Congresswoman Loretta Sanchez (CA-47), a member of the bipartisan, bicameral Joint Economic Committee, today voted to expand federal mortgage insurance opportunities for families in Orange County and across the country. H.R. 5072, the FHA Reform Act of 2010, would strengthen the financial foundation of the Federal Housing Administration (FHA) to ensure the agency can continue providing affordable mortgage insurance to low-income and minority families.

“FHA has played a vital role in America’s ongoing economic recovery, providing mortgage insurance at a time when the private sector has pulled back from the mortgage market,” said Rep. Sanchez. “But declining home prices and the recent recession are threatening the agency’s ability to get families in new homes and protect consumers from fraudulent lenders. The FHA Reform Act would make smart changes to the way FHA operates to help ensure all families, including those in our community, are able to fulfill their dreams of homeownership.”

The FHA Reform Act would empower FHA to improve its financial position by allowing the agency to adjust its premium structure for new borrowers, while still providing affordable mortgage insurance to the low-income and minority families FHA was created to serve. FHA data indicates that the typical new borrower would see premiums rise by \$42 a month.

The Act also provides FHA with greater authority to terminate lenders’ approval to originate or underwrite loans backed by FHA insurance when FHA finds evidence of fraud or abuse. Recent mortgage fraud schemes, like those perpetuated by Lend America and Taylor Bean, demonstrate the urgent need for this kind of oversight authority.

Finally, the Act requires that FHA improve their internal reporting systems to better manage risk, and provide transparent data to the public and to Congress. This includes improving monitoring of early defaults and claims, tracking mortgage information by loan servicer, providing FHA with the ability to contract out for additional credit risk analysis, requiring mortgagees to report to FHA when they stop buying loans from other mortgagees and requiring a GAO study on FHA and Ginnie Mae. The bill also creates a new Deputy Assistant Secretary at FHA for Risk Management and Regulatory Affairs.